

Message Text

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11/12

ACTION EA-10

INFO OCT-01 ISO-00 AGR-05 CIAE-00 COME-00 EB-07 INR-05

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FM AMEMBASSY TAIPEI

TO SECSTATE WASHDC 3697

C O N F I D E N T I A L TAIPEI 7376

E.O. 11652: N/A

TAGS: ETRD, TW

SUBJECT: COTTON CONTRACT

REF: STATE 272277, TAIPEI 7287

1. SUMMARY: FINANCIAL MEASURES DESIGNED TO ASSIST TEXTILE MILLS TO OPEN L/C'S AND REDUCE THEIR EXCESSIVE INVENTORIES WILL BE PRESENTED TO PREMIER FOR APPROVAL EVENING OF DECEMBER 13. ASSUMING HE APPROVES, BOARD OF FOREIGN TRADE IS CONFIDENT MANY MORE L/C'S WILL BE OPENED WITHIN NEXT WEEK OR TWO. (END SUMMARY.

2. ECON COUN CALLED MINISTER OF ECONOMIC AFFAIRS Y.S. SUN (SUN YUN-HSUAN) MORNING OF DECEMBER 13 TO AGAIN URGE THAT THE GROC TAKE PROMPT AND EFFECTIVE ACTION TO RESOLVE COTTON PROBLEM AND TO INQUIRE ABOUT THE MEASURES GROC PROPOSES TO TAKE TO ASSIST TEXTILE INDUSTRY. SUN COMMENTED THAT SEVERAL MEASURES HAVE BEEN AGREED UPON AT SERIES OF MEETINGS HE HAS BEEN CHAIRING WITH REPRESENTATIVES OF BOARD OF FOREIGN TRADE, BANK OF TAIWAN, MINISTRY OF FINANCE, TAIWAN COTTON SPINNERS ASSOCIATION AND TAIWAN COTTON WEAVING ASSOCIATION. SUN HAS A MEETING SCHEDULED WITH PREMIER CHIANG CHING-KUO EVENING OF DECEMBER 13 TO PRESENT MEASURES FOR HIS CONSIDERATION.

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3. MINISTER SUN STATED THAT UNTIL PREMIER APPROVES MEASURES, HE IS NOT PREPARED TO ANNOUNCE THEM. HE COULD REPORT, HOWEVER, THAT THE BANK OF TAIWAN HAS AGREED TO REMOVE THE LOAN CEILING ON AMOUNT MILLS CAN BORROW TO PURCHASE RAW COTTON. BANK WILL PROVIDE SUFFICIENT LOANS TO COVER 90 PERCENT OF THE CONTRACT PROVIDED THE MILL CAN FURNISH A GUARANTOR. FURTHERMORE, IF WILL BE RECOMMENDED TO PREMIER THAT MINISTRY OF FINANCE PURCHASE SIZEABLE AMOUNTS OF COTTON YARN AND FABRIC FROM THE INDUSTRY. THESE MILL PRODUCTS WOULD BE USED BY GROC AGENCIES -- PRIMARILY THE MINISTRY OF NATIONAL DEFENSE--FOR UNIFORMS AND OTHER COTTON ITEMS AND MONEY PAID TO THE MILLS WOULD BE USED TO PURCHASE COTTON CONTRACTED FOR, AKND FOR DEBT SERVICING. THE MINISTER WOULD NOT COMMENT ON AMOUNT OF YARN AND FABRIC TO BE PURCHASED BUT UNOFFICIAL NEWSPAPER ACCOUNTS SPEKAK OF UP TO THE EQUIVALENT OF US\$50 MILLION BEING ALLOCATED BY MINISTRY OF FINANCE FOR THIS PURPOSE.

4. IN SUBSEQUENT CONVERSATION WITH AGATT, H.K. SHAO (SHAO HSUEH-KUEN), DEPUTY DIRECTOR OF BOARD OF FOREIGN TRADE, STATED THAT HE WOULD BE MEETING WITH COTTON SPINNERS ASSN. ON DECEMBER 14 TO REVIEW STATUS OF L/C'S. SHAO IS CONFIDENT THAT FINANCIAL ASSISTANCE MEASURES, ASSUMING THEY ARE APPROVED BY PREMIER, WILL RESULT IN MANY MORE L/C'S BEING OPENED WITHIN NEXT WEEK OF TWO.
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